

Message Text

SECRET

PAGE 01 QUITO 02026 01 OF 02 162216Z

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ACTION SS-25

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P R 162052Z MAR 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC PRIORITY 9397

INFO AMCONSUL GUAYAQUIL

S E C R E T SECTION 1 OF 2 QUITO 2026

EXDIS

S/S FOR THE DEPUTY SECRETARY

(ARA--FOR ASSISTANT SECRETARY ROGERS)

(USOAS--FOR AMBASSADOR MAILLARD)

E.O. 11652: GDS

TAGS: PFOR PLOS EFIS EINV EAID EC

SUBJ: CALL OF ECUADOREAN SUBSECRETARY FOR FOREIGN AFFAIRS AYALA
ON THE DEPUTY SECRETARY, MARCH 18

1. ECUADOREAN SUBSECRETARY FOR FOREIGN AFFAIRS JOSE AYALA LASSO IS SCHEDULED TO CALL ON YOU ON MARCH 18. I MUCH APPRECIATE YOUR TAKING TIME FROM YOUR BUSY SCHEDULE TO RECEIVE AYALA. AS BIOGRAPHIC INFORMATION PROVIDED YOU BY ARA WILL SHOW, HE IS BRIGHT, YOUNG, AND EFFECTIVE, AND HE PROBABLY WILL BE AROUND TO INFLUENCE US/GOE RELATIONS FOR SOME TIME TO COME. AYALA WILL ALSO BE CALLING ON OTHER DEPARTMENTAL OFFICIALS--I HAVE SUGGESTED BILL ROGERS AND BILL MAILLARD. FOLLOWING ARE SOME POINTS WHICH I BELIEVE AYALA MAY RAISE, OR WHICH YOU AND OTHER DEPARTMENTAL OFFICIALS MAY WISH TO DISCUSS WITH AYALA.

2. CHECKLIST

--FISHING DISPUTE AND LOS--EXPRESS PLEASURE THAT WE HAVE
HAD NO FISHING PROBLEMS THUS FAR THIS TUNA SEASON,
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PAGE 02 QUITO 02026 01 OF 02 162216Z

AND STATE HOPES FOR AN LOS TREATY AND A REGIONAL

FISHING ARRANGEMENT THAT WILL REMOVE THIS LONG-STANDING PROBLEM.

--ECUADOREAN EXCLUSION FROM GSP--REAFFIRM THAT EXECUTIVE BRANCH WORKING TOWARD REMOVAL OF EXCLUSION.

--GOE ACCESS TO IDB SOFT LOANS--PLEDGE DEPARTMENT'S REVIEW OF SITUATION, AND OUR CONTINUED SUPPORT FOR IDB CONCESSIONAL LOANS WHICH DO NOT REQUIRE USING DOLLARS APPROPRIATED TO IDB BY US CONGRESS.

--TEXACO-GULF INVESTMENT--EXPLAIN THAT USG CANNOT OPPOSE NATIONALIZATION PROVIDING THERE IS PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION; BUT URGE SERIOUS GOE CONSIDERATION OF ALL CONSEQUENCES OF SUCH AN ACTION.

--OAS--ENCOURAGE GOE SUPPORT FOR MEANINGFUL CHARTER REFORM.

3. SETTING

AYALA'S PURPOSE IN VISITING WASHINGTON IS TO DISCUSS AT THE HIGHEST LEVEL AND WITH AS MANY TOP USG OFFICIALS AS POSSIBLE A NUMBER OF GOE CONCERNS ABOUT GOE-USG RELATIONS, AND TO ASK FOR USG UNDERSTANDING ON MATTERS CONSIDERED OF VITAL IMPORTANCE TO ECUADOR'S DEVELOPMENT AND WELFARE. IT IS THE FIRST SUCH VISIT IN YEARS.

OUR OBJECTIVES ARE TO ASSURE AYALA OF USG UNDERSTANDING; THAT THE USG IS TAKING CONCRETE MEASURES TO MEET THE NEEDS OF DEVELOPING NATIONS; THAT THE EXECUTIVE BRANCH IS SEEKING THE EVENTUAL RESOLUTION OF SPECIFIC IRRITANTS IN USG/GOE RELATIONS; AND THAT WE VALUE CLOSE AND COOPERATIVE RELATIONS WITH ECUADOR.

4. BACKGROUND/ANALYSIS

DESPITE A NUMBER OF ACTIONS PERCEIVED BY ECUADOREANS AS USG REPRISALS FOR ECUADOR'S MEMBERSHIP IN OPEC AND ITS DIFFERING POSITION ON THE LOS TERRITORIAL SEA CONCEPT
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PAGE 03 QUITO 02026 01 OF 02 162216Z

WHICH CAUSES OUR LONG-STANDING FISHING DISPUTE, RELATIONS BETWEEN OUR TWO COUNTRIES HAVE BEEN IMPROVING SINCE 1974 WHEN OUR MILITARY ASSISTANCE PROGRAM AND FMS WERE RESUMED AFTER A HIATUS OF THREE YEARS. THE AVOIDANCE THUS FAR THIS SEASON OF ECUADOREAN SEIZURES OF OUR TUNA FISHING BOATS IS A MANIFESTATION OF THIS. THE MILITARY JUNTA THAT REPLACED GENERAL RODRIGUEZ LARA ON JAN. 11 PROMISED A RETURN TO CONSTITUTIONAL RULE WITHIN TWO YEARS AND SEEMS TO BE MOVING

SUCCESSFULLY IN THAT DIRECTION.

OUR PRIMARY CONCERNS IN ECUADOR ARE TO PROTECT US PRIVATE INVESTMENT (TEXACO-GULF) IN THE PETROLEUM INDUSTRY, TO ACHIEVE A REGIONAL FISHING ARRANGEMENT THAT WOULD RESOLVE OUR LONG-STANDING FISHING DISPUTE, TO PROMOTE US TRADE AND INVESTMENT, AND TO KEEP ECUADOR FROM MOVING TO A RADICAL THIRD WORLD POSITION IN INTERNATIONAL FORUMS.

SUBSECRETARY AYALA WILL HAVE JUST COME FROM NEW YORK WHERE HE WILL HAVE ENGAGED IN CONVERSATIONS WITH THE GROUP OF 77, OTHER NATIONS SUBSCRIBING TO THE TERRITORIAL SEA CONCEPT, AND WITH NATIONS FROM THIS REGION ON LOS MATTERS.

5. COURTESY POINTS

-EXPRESS APPRECIATION FOR COOPERATIVE, CORDIAL AND PROFESSIONAL WORKING RELATIONSHIPS MAINTAINED BETWEEN OUR COUNTRIES' FOREIGN MINISTRIES AND AMBASSADORS; MENTION THE PLEASURE WITH WHICH WE VIEW THE GOE'S PROGRESS TOWARD RETURN TO CONSTITUTIONAL RULE; AND STRESS THE VALUE WE PLACE ON EXCELLENT US/ECUADOREAN RELATIONS.

6. ISSUES/ TALKING POINTS

A. FISHING DISPUTE AND LAW OF THE SEA
BACKGROUND. AYALA WILL THANK YOU FOR YOUR LETTER STATING USG NEUTRALITY RE PURCHASE OF ECUADOREAN FISH-LICENSES. AYALA AND OTHERS IN GOE WOULD LIKE A REGIONAL AGREEMENT (WITHIN OR OUTSIDE A COMPREHENSIVE LOS TREATY) TO RESOLVE OUR FISHING DISPUTE, BUT THE MATTER IS EX-SECRET

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PAGE 04 QUITO 02026 01 OF 02 162216Z

VERY SENSITIVE POLITICALLY IN ECUADOR. GOE AND USG MADE SIGNIFICANT PROGRESS TOWARD AGREEMENT ON A DRAFT ARTICLE 53 OF LOS SINGLE NEGOTIATING TEXT DURING CONSULTATIONS IN QUITO ON FEB. 2-3, BUT THE GOE AND PERU AT THE LAST MOMENT WITHDREW FROM A MEETING OF REGIONAL STATES ON ARTICLE 53 SCHEDULED FOR MARCH 8-12 BECAUSE OF PERUVIAN AND INTERNAL GOE CONCERN THAT GOE HAD MOVED TOO FAR, TOO FAST. THE SESSION, WHICH COULD LEAD TO A REGIONAL AGREEMENT ON TUNE, IS TO BE RE-SCHEDULED FOR MARCH 22-26. THE GOE WILL CONTINUE TO DEFEND STRONGLY ITS 200 MILE TERRITORIAL-SEA CONCEPT IN ANY REGIONAL AGREEMENT OR IN THE COMPREHENSIVE LOS NEGOTIATIONS, ALTHOUGH WORKING SINCERELY FOR A TREATY.

YOUR TALKING POINTS

--WE ARE GLAD GOE AND USG UNILATERAL ACTIONS HAVE
AVOIDED TUNA PROBLEMS THUS FAR THIS SEASON.

--WE HOPE NATIONS OF THE EASTERN PACIFIC FISHING REGION
CAN MOVE TO AN ARRANGEMENT THAT WOULD PREVENT FUTURE
FISHING PROBLEMS AND CONSERVE SPECIES.

--WE APPRECIATE THE GOE'S DEDICATION TO A COMPREHENSIVE
LOS TREATY, AND USG IS ALSO COMMITTED TO NEGOTIATIONS
OF AN ACCEPTABLE LOS AGREEMENT.

B. ECUADOREAN EXCLUSION FROM GSP OF US TRADE LAW
ECUADOREAN POSITION: ECUADOR, THE SMALLEST OIL PRODUCER
AND ONE OF POOREST OPEC MEMBERS, REMAINS IN OPEC TO
SUPPORT A HIGH PRICE FOR AND TO OBTAIN MARKETING IN-
FORMATION ON PETROLEUM, WHICH PROVIDES NEEDED INCOME FOR
ECUADOR'S DEVELOPMENT. BUT ECUADOR DID NOT EMBARGO
OIL EXPORTS TO THE US IN 1973. IN AREAS WHERE ITS OWN
INTERESTS PERMIT, THE GOE SUPPORTS US; FOR INSTANCE,
AT USG REQUEST GOE CHANGED VOTE ON UNGA KOREAN RESOL-
UTION. GOE APPRECIATES EFFORTS MADE BY EXECUTIVE
BRANCH TO REMOVE ECUADOR AND VENEZUELA EXCLUSION FROM
GSP BY US TRADE LAW, BUT GOE MUST DEAL WITH TOTAL USG
AND INSISTS THAT DISCRIMINATORY TREATMENT OF DEVELOPING
AND FRIENDLY LATIN AMERICAN COUNTRIES CEASE.

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PAGE 05 QUITO 02026 01 OF 02 162216Z

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PAGE 01 QUITO 02026 02 OF 02 162225Z

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S E C R E T SECTION 2 OF 2 QUITO 2026

EXDIS

S/S - FOR THE DEPUTY SECRETARY

(ARA -- FOR ASSISTANT SECRETARY ROGERS)

(USOAS--FOR AMBASSADOR MAILLARD)

US POSITIONS: USG REGARDS OPEC AS A DISCRIMINATORY MONOPOLY WHOSE UNFAIR PRICING POLICIES HAVE DONE EVEN GREATER HARM TO DEVELOPING NATIONS THAN TO INDUSTRIALIZED ONES.

YOUR TALKING POINTS

--THE EXECUTIVE BRANCH WILL CONTINUE ITS EFFORTS TO AMEND US TRADE LAW.

--THE SECRETARY AGAIN CALLED FOR ELIMINATION OF DISCRIMINATORY POLICIES IN HIS REPORT TO CONGRESS UPON RETURN FROM HIS TRIP TO LATIN AMERICA.

C. GOE ACCESS TO SOFT-LOAN WINDOW OF IDB AND USG SUPPORT FOR DEVELOPMENT

ECUADOREAN POSITION. ECUADOR REMAINS A VERY POOR COUNTRY DESPITE PETROLEUM REVENUE, AND WANTS USG TO STOP DISCRIMINATORY BLOCKING OF IDB CONCESSIONAL LOANS. ARRANGEMENT WORKED OUT BETWEEN SECRETARY SIMON AND GOE FINANCE
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PAGE 02 QUITO 02026 02 OF 02 162225Z

MINISTER MONCAYO IN SANTO DOMINGO IN MAY 1975 ARE UNSATISFACTORY, AND SIMON PROMISED TO REVIEW THEM AFTER ONE YEAR. AYALA MAY NOTE GOE PLEDGE TO PAY GOE OVERDUE DEBT TO US ON A-37 AIRCRAFT, WHICH GOE FEARS MAY HAVE SOURED TREASURY ATTITUDE TOWARD ECUADOR. GOE BELIEVES US CONGRESSIONAL DECISION TO PROVIDE ASSISTANCE TO COUNTRIES ON BASIS OF LOW PER CAPITA INCOME ONLY IS UNFAIR TO ECUADOR WHICH REMAINS POOR DESPITE NEW OIL INCOME. GOE BELIEVES OUR PHASE-OUT OF AID ASSISTANCE, BLOCKING OF CONCESSIONAL LOANS IN IDB, AND DISCRIMINATION ON GSP SHOW LACK OF UNDERSTANDING OF GOE'S IMPERATIVE AIM TO IMPROVE LIVES OF ITS CITIZENS WITHIN A DEMOCRATIC FRAMEWORK.

YOUR TALKING POINTS (IF ISSUE RAISED BY AYALA)

--WE ARE LOOKING INTO IDB SITUATION, AND IN MEANTIME WILL CONTINUE TO SUPPORT APPLICATIONS AND PROCEDURES ALLOWING SOFT LOANS THAT DO NOT USE DOLLARS APPROPRIATED TO IDB BY US CONGRESS.

--THE SECRETARY'S SEPT. 1 SPEECH AT 7TH SPECIAL SESSION OF UNGA PUT FORTH BROAD RANGE OF PRACTICAL PROPOSALS TO STABILIZE LDC EXPORT EARNINGS, ACCELERATE LDC GROWTH, INCREASE ACCESS TO MARKETS, IMPROVE TRADE AND INVESTMENT IN KEY COMMODITIES, AND AID POOREST COUNTRIES.

--USG HAS BEEN ACTIVELY PURSUING THESE PROPOSALS IN ALL APPROPRIATE FORUMS AND HAVE ACHIEVED MAJOR SUCCESSES IN SOME (MOST NOTABLY BALANCE OF PAYMENTS FINANCING TO ENABLE LDC'S TO MAINTAIN DEVELOPMENT PROGRAMS DEPITE WORLD RECESSION) AND A SUBSTANTIAL START IN ALL OTHERS.

--WE ASSURE ECUADOR OF OUR UNDERSTANDING AND SYMPATHY FOR ITS DEVELOPMENT PROBLEMS.

D. TEXACO-GULF INVESTMENT IN ECUADOR

BACKGROUND: THE TEXACO-GULF CONSORTIUM IS ENGAGED IN A
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PAGE 03 QUITO 02026 02 OF 02 162225Z

DISPUTE WITH THE GOE OVER PETROLEUM PRICING, ITS SHARE OF EARNINGS REQUIRED FOR ADEQUATE PROFIT AND FOR NEEDED RE-INVESTMENT FOR EXPLORATION, AND RELATIONS WITH CEPE (THE STATE OIL COMPANY WHICH OWNS 25 PERCENT OF THE CONSORTIUM). THE MINISTER OF NATURAL RESOURCES WANTS TO NATIONALIZE THE COMPANIES, BUT THE SUPREME COUNCIL REALIZES ECUADOR DOES NOT YET HAVE THE CAPACITY TO OPERATE THEM. TEXACO-GULF SEEMS FAVORABLY DISPOSED TO NATIONALIZATION, ALTHOUGH IT IS DIFFICULT TO DISCERN EXACTLY WHAT POSITION THE COMPANIES ARE IN FACT TAKING WITH RESPECT TO THIS RELATIVELY SMALL PORTION OF THEIR WORLD-WIDE OPERATIONS. THE EMBASSY IS CONCERNED THAT ECUADOR COULD NOT MANAGE ITS PETROLEUM INDUSTRY, ESPECIALLY DEVELOPMENT AND MARKETING; THAT NATIONALIZATION WOULD ADVERSELY AFFECT NEEDED FOREIGN PRIVATE INVESTMENT AND THUS ECUADOREAN ECONOMIC DEVELOPMENT; AND THAT WE WOULD HAVE DIFFICULTIES OVER ADEQUATE COMPENSATION AND THE TERMS OF FUTURE ASSOCIATIONAL ARRANGEMENTS--ALL OF WHICH WOULD WORSEN USG/GOE RELATIONS.

YOUR TALKING POINTS

--THE USG CANNOT OPPOSE NATIONALIZATION PROVIDING THERE

IS PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION.

--BECAUSE OF OUR UNDERSTANDING AND SYMPATHY FOR ECUADOR
AND ITS DEVELOPMENT, WE WOULD REGRET ANY GOE ACTIONS
THAT MIGHT RESULT IN REDUCTION OF ITS OIL INCOME AND
FOREIGN INVESTMENT, AND COULD GIVE RISE TO CONTENTIOUS
ISSUES IN OUR RELATIONS.

E. THE OAS

BACKGROUND: AS A SMALL NATION, ECUADOR VALUES THE OAS,
RECOGNIZES THAT US PARTICIPATION IN THE OAS IS ESSENTIAL,
AND WANTS MEANINGFUL CHARTER REFORM; BUT DOES NOT
BELIEVE IT COULD SCRAP THREE YEARS WORK ON THE CHARTER.

YOUR TALKING POINT

--WE BELIEVE A SOUND CHARTER AND BASIC REFORMS ARE
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PAGE 04 QUITO 02026 02 OF 02 162225Z

NECESSARY TO MAKING THE OAS ACHIEVE ITS POTENTIAL
AS A MEANINGFUL REGIONAL FORUM AND A CONTINUING
MODEL FOR OTHER INTERNATIONAL ORGANIZATIONS.
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